

Commissioner's Recommended Funding Level Fiscal Year 2004-05

December 10, 2003

State of Maine
DEPARTMENT OF EDUCATION
Management Information Systems Team
23 State House Station
Augusta, Maine 04333-0023

General Purpose Aid for Local Schools

Commissioner's Recommended Funding Level – 2004-05

	2001-02	2002-03	<i>FY 02 to FY 03</i>	2003-04 After Curtailments	<i>FY 03 to FY 04</i>	2004-05 Commissioner's Recommended Funding Level	<i>FY 04 to FY 05</i>
Operating*	437,353,381	429,834,890	-1.7%	428,764,716	-0.2%	428,218,937	-0.1%
Program Costs	163,504,362	179,554,011	9.8%	196,040,210	9.2%	200,220,515	2.1%
Foundation	600,857,743	609,388,901	1.4%	624,804,926	2.5%	628,439,452	0.6%
Debt Service	58,446,035	59,467,101	1.7%	55,911,217	-6.0%	60,796,803	8.7%
Adjustments & Misc. Costs**	49,359,394	44,687,585	-9.5%	48,858,178	9.3%	45,223,652 **	-7.4%
Total	708,663,172	713,543,587	0.7%	729,574,321	2.2%	734,459,907	0.7%
Operating	61.7%	60.2%		58.8%		58.3%	
Program Costs	23.1%	25.2%		26.9%		27.3%	
Foundation	84.8%	85.4%		85.6%		85.6%	
Debt Service	8.2%	8.3%		7.7%		8.3%	
Adjustments & Misc. Costs	7.0%	6.3%		6.7%		6.2%	

*Includes Minimum Subsidy

**Does NOT include a cushion for FY05

General Purpose Aid for Local Schools

Commissioner's Recommended Funding Level – 2004-05

Annual Statutory Deadlines

- In December of each year, the Commissioner, with the approval of the State Board, shall recommend to the Governor and the Bureau of the Budget the funding levels for General Purpose Aid to Local Schools. (20-A M.R.S.A. Sec. 15606)
- No later than the Friday following the first Monday in January, the Bureau of the Budget shall annually certify to the Legislature the funding levels recommended by the Governor. (5 M.R.S.A. Sec. 1666)
- Prior to March 15th, the Legislature shall enact legislation regarding the above recommendations on the funding levels for General Purpose Aid for Local Schools. (20-A M.R.S.A. Sec. 15607)

General Purpose Aid for Local Schools

Commissioner's Recommended Funding Level – 2004-05

Appropriations:

	<u>2003-04 Enacted (After)</u>	<u>2004-05 Recommendation</u>
Foundation*	\$624,804,926	\$628,439,452
Debt Service	\$55,911,217	\$60,796,803
Adjustments & Misc. Costs	\$48,858,178	\$45,223,652
Total	\$729,574,321	\$734,459,907
*includes minimum subsidy		

Appropriation needed: \$9.1 million over current appropriation for FY 2004-05 of \$725.4

Rates based on Chapter 606 School Finance Act of 1985

	<u>2003-04 Enacted</u>	<u>2004-05 Recommendation</u>
Operating Cost Mill Rate	9.35	9.11
Program Millage Limit	1.45	1.35
Debt Service Millage Limit	0.43	0.39
Foundation Per Pupil Operating Rate (K-12)	\$5,439	\$5,662
Elementary Per Pupil Operating Rate (K-8)	\$5,247	\$5,464
Secondary Per Pupil Operating Rate (9-12)	\$5,845	\$6,069
Reduction Percentages		
Program Cost Reduction	-2.99%	-2.99%
Transportation Operating Reduction	-2.99%	-2.99%
Insured Value Factor Reduction	-2.99%	-2.99%

Rates based on Chapter 606-A School Finance Act of 1995

	<u>2003-04 Enacted</u>	<u>2004-05 Recommendation</u>
Statewide local share of the Per Pupil Guarantee mill rate	6.74	6.31
Per Pupil Guarantee	\$4,816	\$4,816
Statewide Factor	0.62760	0.63100

General Purpose Aid for Local Schools

Commissioner's Recommended Funding Level – 2004-05

OPERATING COSTS PER CH. 606-A:

1 Per Pupil Guarantee (Table 6)	\$4,816	
2 2003 Calendar Year Pupils	206,608.5	
3 Operating Cost Allocation:		\$995,026,536
4 Declining Enrollment Adjustment	\$4,816	
	2,873.17	
5 Equivalent Instruction Pupils Adjustment & Adult Education Courses	\$4,816	\$13,837,187
	1,020.525	
6 Adjusted Operating Cost Allocation:		\$4,914,848
		\$1,013,778,571

PROGRAM COSTS & DEBT SERVICE PER CH. 606:

	FY 03 Base Year Expenditures	Most Recent CPI %	Adjusted Expenditures	
PROGRAM COSTS:				
7 Early Childhood	\$1,202,670	1.40%	\$1,219,508	
8 Special Education (Local)	\$192,620,079	1.40%	\$195,316,760	
9 Special Education (Tuition & Board)	\$19,183,805	1.40%	\$19,452,379	
10 Vocational Education	\$33,886,755	1.40%	\$34,361,170	
11 Adjusted Transportation Oper. Costs	\$75,255,406	1.40%	\$76,308,982	
12 Total of Adjustable Program Costs:	\$322,148,716		\$326,658,799	
13 Bus Purchases, to include lease purchases			\$10,000,000	
14 Total Program Cost (Adjusted)				\$336,658,799
15 Less (20-A M.R.S.A. Sec. 15603, Sub-sec 26-A(F))	-2.99%			(\$10,066,098)
16 Adjusted Program Cost Allocation:				\$326,592,701

DEBT SERVICE:

17 Principal and Interest		\$76,128,386	
18 Approved Leases		\$3,180,246	
19 Approved Leases-Purchases		\$2,925,330	
20 Insured Value Factor		\$3,055,623	
21 Total Debt Service:			\$85,289,585
22 Less for Insured Value Factor (20-A M.R.S.A. Sec. 15603, Sub-sec 26-A(F))	-2.99%		(\$91,363)
23 Adjusted Debt Service Allocation:			\$85,198,222
24 COMBINED ALLOCATIONS:			\$1,425,569,494

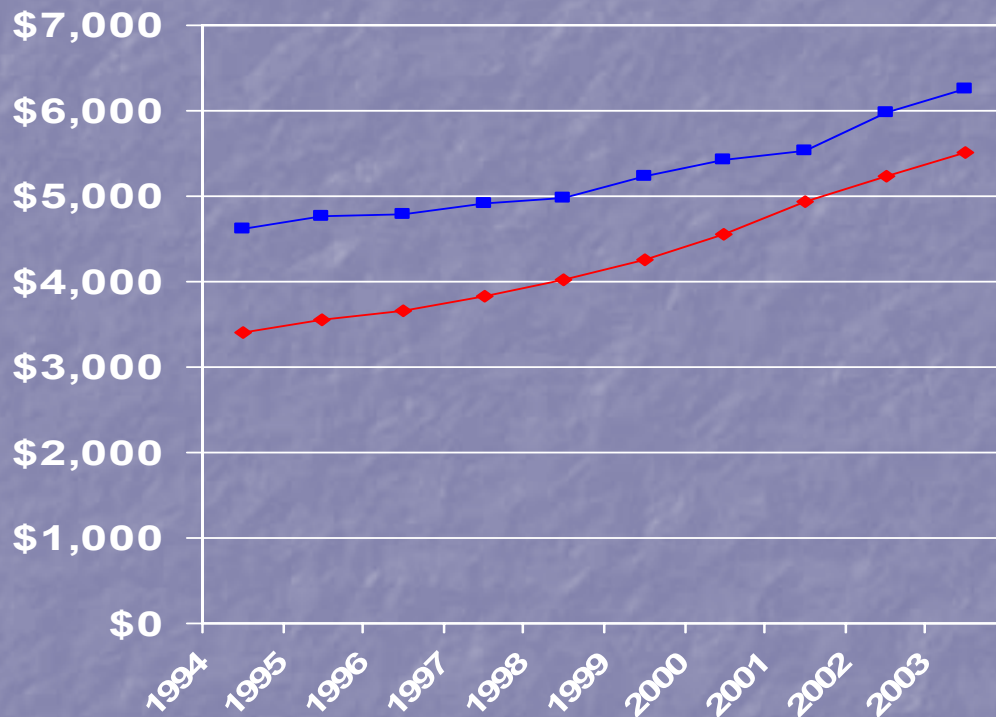
General Purpose Aid for Local Schools

Commissioner's Recommended Funding Level – 2004-05

	TOTAL	LOCAL	STATE
26 COMBINED ALLOCATIONS:	\$1,425,569,494	\$738,592,697	\$686,976,797
27 Minimum State Allocation	\$2,259,458		\$2,259,458
28 TOTAL ALLOCATION: (Local share : 51.73% State share: 48.27%)	\$1,427,828,952	\$738,592,697	\$689,236,255
ADJUSTMENTS AND MISCELLANEOUS COSTS:			
29 Geographic Isolation			\$489,904
30 Audits			\$0
31 Private School Services			\$203,031
32 State Wards			\$11,231,613
33 State Agency Clients			\$25,871,830
34 English as a 2nd Language			\$2,129,818
35 Out-of-District Placements			\$2,981,064
36 Long Term Drug Treatment Center			\$166,392
37 MEPRI			\$150,000
38 EPS Contract			\$75,000
39 Carpenter Bus Loan			\$550,000
40 Regionalization/Consolidation/Efficiency Assistance			\$125,000
41 Learning Results Accountability			\$250,000
42 Learning Results Implementation and Assessment			\$1,000,000
			\$45,223,652
TOTAL STATE ALLOCATION:			\$734,459,907

Tables and Graphs

Per Pupil Operating Costs



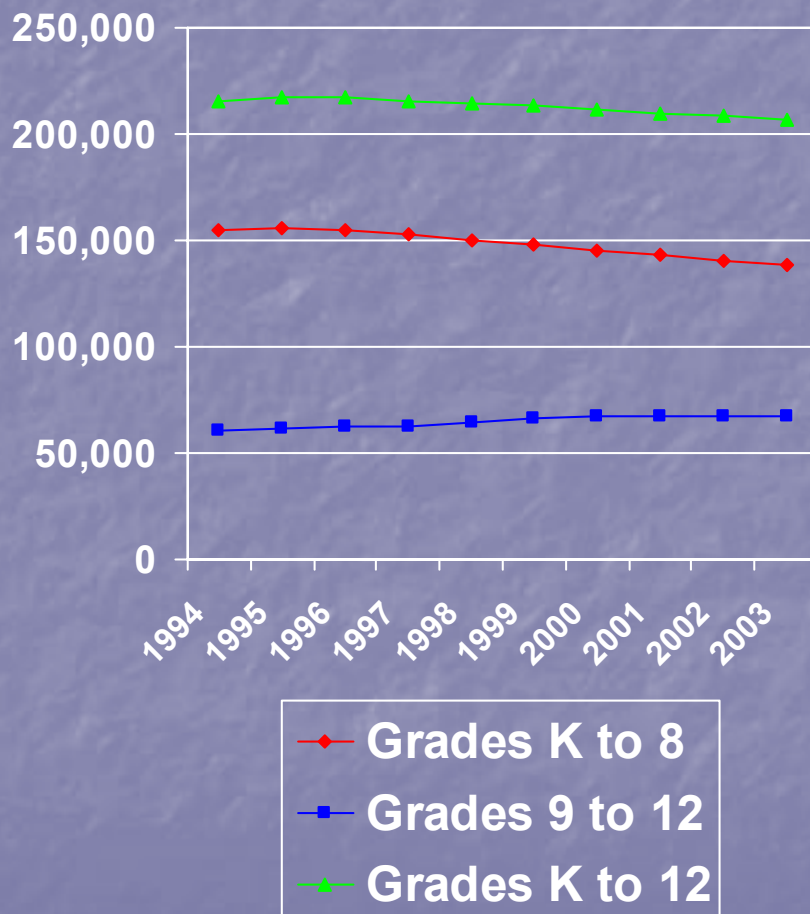
YEAR	Grades K-8.	Grades 9-12.
1994	\$3,396	\$4,623
1995	\$3,546	\$4,758
1996	\$3,656	\$4,786
1997	\$3,824	\$4,914
1998	\$4,014	\$4,973
1999	\$4,261	\$5,229
2000	\$4,553	\$5,422
2001	\$4,946	\$5,542
2002	\$5,230	\$5,978
2003	\$5,510	\$6,254

◆ **Grades K to 8**
■ **Grades 9 to 12**

Note: Excludes expenditures for special education, vocational education, transportation, leases, major capital and debt service.

Tables and Graphs

October 1st Enrollments



YEAR	GRADES K-8	GRADES 9-12	GRADES K-12
1994	155,176	60,796	215,679
1995	155,309	61,926	217,369
1996	154,361	62,880	217,209
1997	152,525	62,748	215,273
1998	150,004	64,838	214,842
1999	147,803	65,909	213,712
2000	144,922	66,870	211,792
2001	142,812	67,133	209,945
2002	140,853	67,758	208,611
2003*	138,550	67,758	206,308

*Preliminary

Note: Excludes pupils from the Unorganized Territory.

Tables and Graphs

Trends in Educational Expenditures and Enrollment

		Percentage of Change					
		FY 98 to FY 99	FY 99 to FY 2000	FY 2000 to FY 2001	FY 2001 to FY 2002	FY 2002 to FY 2003	FY 98 to FY 2003
1	Total State & Local Expenditures	5.58%	6.20%	6.43%	5.55%	4.78%	32.00%
2	Per Pupil Operating Costs						
A.	Elementary	6.15%	6.85%	8.63%	5.74%	5.35%	37.27%
B.	Secondary	5.15%	3.69%	2.21%	7.87%	4.62%	25.76%
3	Pupil Enrollments						
A.	Elementary	-1.47%	-1.95%	-1.46%	-1.37%	-1.64%	-7.64%
B.	Secondary	1.65%	1.46%	0.39%	0.91%	0.00%	4.50%

Total State & Local Expenditures are those expenditures detailed in the tables titled "State & Local Expenditure Trends - By Function" and "State & Local Expenditure Trends - By Funding Classifications".

Per Pupil Operating Costs are all State & Local expenditures excluding Early Childhood, Special Education, Vocational Education, Transportation (Operating & Buses), Insured Value, Leases, Major Capital Outlay and Principal & Interest.

Pupil Enrollments are the resident enrollments collected on October 1st of each year.

Tables and Graphs

State & Local Expenditure Trends – by Function

				Percentage of Increase in Expenditures	
	2000-01	2001-02	2002-03	FY 2001 to FY 2002	FY 2002 to FY 2003
1. General Administration					
A. Salaries	\$31,044,994	\$33,867,118	\$36,402,452	9.09%	7.49%
B. Benefits	\$6,530,965	\$7,407,916	\$8,601,281	13.43%	16.11%
C. Other	\$19,481,987	\$19,908,270	\$21,047,644	2.19%	5.72%
D. Total	\$57,057,946	\$61,183,304	\$66,051,377	7.23%	7.96%
2. School Administration					
A. Salaries	\$63,055,008	\$65,339,626	\$67,102,225	3.62%	2.70%
B. Benefits	\$9,564,444	\$10,732,411	\$11,763,922	12.21%	9.61%
C. Other	\$7,461,615	\$7,662,945	\$7,466,029	2.70%	-2.57%
D. Total	\$80,081,068	\$83,734,982	\$86,332,176	4.56%	3.10%
3. Instruction					
A. Salaries, Professional	\$651,013,612	\$684,292,163	\$710,753,778	5.11%	3.87%
B. Salaries, Other	\$106,180,956	\$108,718,680	\$114,927,726	2.39%	5.71%
C. Benefits	\$117,018,573	\$136,895,191	\$155,790,301	16.99%	13.80%
D. Teaching Supplies	\$26,417,718	\$27,011,409	\$26,332,735	2.25%	-2.51%
E. Books and Periodicals	\$13,956,050	\$14,203,545	\$13,034,918	1.77%	-8.23%
F. Other	\$52,334,612	\$52,295,734	\$52,586,207	-0.07%	0.56%
G. Total	\$966,921,521	\$1,023,416,722	\$1,073,425,665	5.84%	4.89%
4. Tuition to Non-Public Schools	\$32,548,862	\$34,387,770	\$33,602,764	5.65%	-2.28%
5. Tuition/Fees for State Wards	\$8,017,560	\$10,454,213	\$10,173,941	30.39%	-2.68%
6. Tuition/Fees for State Agency Clients	\$22,352,540	\$23,459,693	\$22,877,745	4.95%	-2.48%
7. Voc. Ed. Assessments to Regions (Operating Only)	\$9,836,080	\$10,932,462	\$11,507,315	11.15%	5.26%
8. Nutrition	\$5,108,025	\$5,073,301	\$5,713,585	-0.68%	12.62%
9. Operation & Maintenance of Plant					
A. Salaries	\$52,261,641	\$54,667,981	\$57,858,230	4.60%	5.84%
B. Benefits	\$12,764,864	\$14,322,817	\$16,214,308	12.21%	13.21%
C. Purchased Services	\$44,185,089	\$42,318,274	\$41,455,001	-4.22%	-2.04%
D. Insurance	\$2,675,012	\$3,459,395	\$4,739,458	29.32%	37.00%
E. Energy	\$33,869,567	\$34,636,995	\$35,245,160	2.27%	1.76%
F. Other	\$22,608,302	\$21,319,040	\$24,683,990	-5.70%	15.78%
G. Total	\$168,364,473	\$170,724,502	\$180,196,147	1.40%	5.55%

Tables and Graphs

State & Local Expenditure Trends – by Function

					Percentage of Increase in Expenditures				
					FY 2001 to FY 2002	FY 2002 to FY 2003			
					2000-01	2001-02	2002-03		
10.	Less Misc. Local Revenue		(\$9,468,433)		(\$10,676,612)		(\$10,947,937)	12.76%	2.54%
11.	Less Federal Revenues	*	(\$2,843,527)	*	(\$3,307,112)		(\$3,178,471)	* 16.30%	-3.89%
12.	TOTAL OPERATING COST INCLUDING SPECIAL AND VOCATIONAL EDUCATION		\$1,337,976,115		\$1,409,383,225		\$1,475,754,307	5.34%	4.71%
13.	Transportation, Operating**								
	A. Salaries		\$31,665,138		\$33,500,954		\$34,991,022	5.80%	4.45%
	B. Benefits		\$8,890,215		\$10,004,773		\$11,103,510	12.54%	10.98%
	C. Purchased Services		\$18,733,348		\$19,341,625		\$20,208,818	3.25%	4.48%
	D. Other		\$16,007,976		\$17,386,415		\$14,505,503	8.61%	-16.57%
	E. Total		\$75,296,677		\$80,233,767		\$80,808,853		
14.	Transportation, Buses**								
	A. Approved for subsidy		\$4,853,408		\$5,000,000		\$7,854,465	3.02%	57.09%
	B. Other		\$482,909		\$593,442		\$606,121	22.89%	2.14%
	C. Total		\$5,336,317		\$5,593,442		\$8,460,586		
15.	Transportation, Operating & Buses		\$80,632,994		\$85,827,209		\$89,269,439	6.44%	4.01%
16.	Major Capital Outlay		\$4,967,818		\$5,742,683		\$4,501,740	15.60%	-21.61%
17.	Insured Value		\$2,812,974		\$2,877,789		\$3,055,623	2.30%	6.18%
18.	Leases								
	A. Approved for subsidy		\$7,348,422		\$7,584,974		\$6,511,511	3.22%	-14.15%
	B. Other		\$3,709,225		\$4,690,882		\$4,434,319	26.47%	-5.47%
	C. Total		\$11,057,647		\$12,275,856		\$10,945,830	11.02%	-10.83%
19.	Debt Service								
	A. Approved for subsidy		\$67,168,857		\$73,868,233		\$70,710,193	9.97%	-4.28%
	B. Other		\$20,401,324		\$19,928,795		\$32,115,462	-2.32%	61.15%
	C. Total		\$87,570,181		\$93,797,028		\$102,825,655	7.11%	9.63%
20.	Less:								
	P.L. 81-874 Federal Revenue		(\$2,451,727)		(\$2,775,052)		(\$2,353,461)	13.19%	-15.19%
21.	GRAND TOTAL		\$1,522,566,002		\$1,607,128,738		\$1,683,999,133	5.55%	4.78%
* Includes Bureau of Indian Affairs funds for reservation schools.									
** Beginning in 2002-03 Lease-purchase of buses are no longer included under "Transportation - Operating" but under "Transportation - Buses"									

Tables and Graphs

State & Local Expenditure Trends – by Funding Classifications

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	ACTUAL COST OF 1998-99	ACTUAL COST OF 1999-2000	ACTUAL COST OF 2000-01	ACTUAL COST OF 2001-02	ACTUAL COST OF 2002-03	PERCENT OF INCREASE FY 2001 TO FY 2002	PERCENT OF INCREASE FY 2002 TO FY 2003	PERCENT OF INCREASE FY 1999 TO FY 2003
OPERATING:								
ELEMENTARY	\$637,935,898	\$671,690,159	\$715,170,386	\$745,444,168	\$775,582,866	4.23%	4.04%	21.58%
SECONDARY	\$332,361,561	\$349,795,851	\$373,311,493	\$393,799,934	\$417,871,376	5.49%	6.11%	25.73%
TOTAL	\$970,297,460	\$1,021,486,010	\$1,088,481,879	\$1,139,244,102	\$1,193,454,243	4.66%	4.76%	23.00%
EARLY CHILDHOOD	\$554,006	\$678,712	\$935,375	\$1,037,827	\$1,202,670	10.95%	15.88%	117.09%
SPECIAL EDUCATION*	\$185,548,049	\$203,180,915	\$218,089,476	\$236,531,856	\$247,210,638	8.46%	4.51%	33.23%
VOCATIONAL EDUCATION	\$26,835,675	\$27,596,473	\$30,469,385	\$32,569,439	\$33,886,755	6.89%	4.04%	26.28%
TRANSPORTATION - OPERATING**	\$65,532,790	\$71,421,897	\$75,296,677	\$80,233,767	\$80,808,853	6.56%	0.72%	23.31%
TRANSPORTATION - BUSES**	\$5,523,327	\$5,406,026	\$5,336,317	\$5,593,442	\$8,460,586	4.82%	51.26%	53.18%
INSURED VALUE	\$2,408,308	\$2,701,106	\$2,812,974	\$2,877,789	\$3,055,623	2.30%	6.18%	26.88%
LEASES	\$9,200,736	\$9,344,655	\$11,057,647	\$12,275,856	\$10,945,830	11.02%	-10.83%	18.97%
MAJOR CAPITAL OUTLAY	\$6,258,946	\$8,953,895	\$4,967,818	\$5,742,684	\$4,501,740	15.60%	-21.61%	-28.08%
PRINCIPAL & INTEREST	\$76,850,262	\$82,274,316	\$87,570,181	\$93,797,028	\$102,825,656	7.11%	9.63%	33.80%
TOTAL	\$1,349,009,558	\$1,433,044,005	\$1,525,017,729	\$1,609,903,790	\$1,686,352,594	5.57%	4.75%	25.01%
LESS P.L. 81-874 FEDERAL REV.	(\$2,037,801)	(\$2,523,818)	(\$2,451,727)	(\$2,775,052)	(\$2,353,461)	13.19%	-15.19%	15.49%
TOTAL STATE & LOCAL COSTS	\$1,346,971,757	\$1,430,520,187	\$1,522,566,002	\$1,607,128,738	\$1,683,999,133	5.55%	4.78%	25.02%

* Includes expenditures for special education services for State Wards and State Agency Clients.

** Beginning in 2002-03 Lease-purchase of buses are no longer included under "Transportation - Operating" but under "Transportation - Buses"

Maine's Current School Funding Formula

■ Operating Costs

Operating costs for the year of funding are first calculated by updating all subsidizable operating costs in the base year (two year old costs) by the most recent annual increases in the Consumer Price Index (CPI). Three per-pupil rates, the Foundation Per-Pupil Operating Rates, are established: a K-12 rate, a K-8 rate, and a 9-12 rate. Each of these rates is calculated by dividing the statewide sum of all updated subsidizable operating costs by the average of the appropriate statewide pupil count, as described in the "Allocation Units" section above. An operating cost mill rate is calculated for the limited purpose of acting in tandem with the program cost and debt service millage limits (see below) in determining the state and local shares for the program cost and debt service allocations.

Since the 1996-97 fiscal year, the provisions of the School Finance Act of 1995 have governed the allocation of operating costs. Operating costs for the year of funding are now allocated through the Per-Pupil Guarantee, which replaces the Foundation Per-Pupil Operating Rates for the operating costs allocation.

Maine's Current School Funding Formula

■ Operating Costs, continued

The Per-Pupil Guarantee is the total amount of operating cost funds made available for each subsidizable pupil. The amount of the Guarantee is set by state policy and by the availability of state revenues. The state share for operating costs is simply what the Legislature appropriates for education for the year of funding, minus state aid for program costs, debt service, and adjustments.

For each local school unit, the unit's local share percentage (for operating costs only) is calculated as:

$$\text{Statewide Adjustment Factor} \times [(0.85 \times \text{Unit's Property Factor}) + (0.15 \times \text{Unit's Income Factor})]$$

The statewide adjustment factor is a percentage that is determined so that the appropriate statewide overall local share percentage will result. The percentage may be explained as the local share percentage of a school administrative unit whose property factor and income factor are equal to the state average of these factors.

If this final calculation is greater than 100% (usually for units with high local ability-to-pay), it is reduced to 100%.

Maine's Current School Funding Formula

■ Program Costs

The amount of program cost funding needed for the funding year is calculated by updating program costs in the base year (two year old costs) by the most recent annual increases in the Consumer Price Index (CPI). A percentage reduction factor is used to reduce the allocation for program costs to ensure that the state's total statewide obligation is limited to the amount appropriated.

The total statewide local share for program costs is limited by statute to 40% of total statewide program costs. The state guarantees that it will fund 60% of total statewide program costs for the fiscal year.

This limitation on the local share of program costs is implemented through the use of a program cost millage limit. The millage limit is used to maintain the 40% local maximum share, and also acts as a "circuit breaker". For each school unit, there is a maximum tax effort for program costs that the unit is required to raise. Once the program cost millage limit has been reached by a local unit, the state pays the balance of program costs for that unit.

Maine's Current School Funding Formula

■ Debt Service

The level of debt service is the known obligations and estimated new principal and interest costs for the year of funding that have been approved by the State Board of Education, plus state-approved leases and lease purchases for instructional space, as well as insured value factor costs. A percentage reduction factor is used to reduce the insured value factor allocation for debt service to ensure that the state's total statewide obligation is limited to the amount appropriated.

The total statewide local share of debt service is limited by statute to 45% of total statewide debt service costs. The state guarantees that it will fund 55% of total statewide debt service costs for the fiscal year. The limitation on the local share for debt service is accomplished by a debt service millage limit. The debt service millage limit operates exactly like the program costs millage limit described above.

■ Adjustments

Adjustments are distributed to school units based on specialized needs. Funding for adjustments is governed by the applicable statute covering an adjustment, or at the discretion of the Commissioner.

Adjustments are added to the total state allocation after the combined state and local allocation is calculated for operating costs, program costs, and debt service. These adjustments are funded entirely with state funds, and do not affect the local allocation.

Maine's Current School Funding Formula

■ State Share

For each school unit, the amount of state subsidy is:

1. the sum of the school unit's state aid for operating costs, program costs, debt service, and adjustments; and
2. for eligible school units, additional state subsidies that are required to bring the state share for those school units up to a minimum level (See "Minimum Subsidy Units", below).

■ Local Share

In order to obtain state share funding, each local unit is expected to raise a local property tax contribution, its computed local share of the foundation (operating costs and program costs), as determined through the funding formula. Units with debt service also must raise a computed local share for debt service. If a school unit fails to raise 100% of its computed local share, its state subsidy amount is reduced by the same percentage as the reduced local share. If a school unit's total state and computed local allocation does not cover its budget, the local unit may opt to raise additional local property tax revenues without state participation and subject only to approval of the unit's voting public and local legislative body.

Maine's Current School Funding Formula

■ Aid Distribution Schedule

The debt service subsidy payment schedule is keyed to the due dates for principal and interest payments at the Maine Municipal Bond Bank or commercial bank. State funds for State Wards and State Agency Clients are disbursed monthly, following receipt of bills for the cost of special educational services from the school units or private school that provide these services. Out-of-district special education funds are distributed once annually, in the spring, following receipt of bills for education/room/board charges. All other subsidies described in this overview are distributed in twelve monthly payments of equal amounts.

■ Minimum Subsidy Units

Some school units receive "off the formula" minimum subsidy adjustments. In general, only those school administrative units with high local ability-to-pay receive these adjustments. The amount of each school unit's minimum subsidy is calculated by multiplying 5% of the state's K-12 Foundation Per Pupil Operating Rate by the school unit's pupils.